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SUBJECT: FINANCE MINISTER REQUESTS U.S DEPARTMENT OF
TREASURY ASSISTANCE IN THREE KEY AREAS

REF: LUANDA 532

¶1. Summary: Angola's new Finance Minister made a strong push for the placement of a U.S. Treasury Resident Advisor in Luanda. The Minister told the Ambassador the GRA requires urgent technical assistance with tax reform, budgeting, and debt management. End Summary.

¶2. During a November 6 call by Ambassador Mozena, newly installed Finance Minister Eduardo Severim de Morias (no relation to his predecessor with the same surname) made a strong push for the placement of a U.S. Treasury Resident Advisor in Luanda. De Morais said the GRA urgently needs assistance in three key areas: comprehensive tax reform, budgeting, and debt management. The Minister told the Ambassador the GRA would welcome the visit of a U.S. Treasury team later this year or early next to evaluate the possibility of placing a Resident Advisor here. A visit in January would enable the Treasury team to observe Angola's IMF Article IV review as well, he added.

¶3. De Morais explained that Angola's tax code is based on a series of antiquated rules and regulations dating back to colonial times. He said taxes are hard to calculate, collect, and pay. In 2009, de Morais said a fiscal reform committee including representatives of the Ministry of Finance, the Central Bank, and civil society (representing taxpayers) will review the possibilities of a new revenue system to tax assets, income, and/or the value added on goods and services. De Morais added that tax offices must be rebuilt and agents must be trained to enforce the new code. He said the GRA plans to introduce tax reform legislation by the end of 2009. De Morais envisioned a Resident Advisor playing an important role in this tax reform effort.

¶4. De Morais told the Ambassador that GRA officials lack adequate training in the preparation and execution of budgets. He said the problem is pervasive across all levels of government, and it affects Angola's ability to efficiently spend public funds. As the GRA expands its decentralization program through the allocation of USD 5 million to each of Angola's municipalities, de Morais said training of local officials on budget preparation, implementation, and monitoring is an urgent need.

¶5. As Angola's economy rapidly expands, de Morais said, efficient, effective, and transparent debt management is a key firewall against inflation. Expanding debt management expertise among Ministry officials is an urgent short term goal, according to the Minister. De Morais expressed concern that regional training resources for mid-senior level officials are conducted in English. The Minister said Angola is considering participation with Portugal and Brazil in the creation of a Portuguese language version of the Macroeconomic Financing Institute of Eastern and Southern Africa.

¶6. De Morais raised the issue of expanding English training for GRA officials. He said Angola needs more English speakers, and that the training should begin as early as possible. He was very supportive of the Ambassador's suggestion that Peace Corps volunteers could be deployed to Angola to expand English language instruction to secondary schools, this helping to strengthen English at the foundation

level.

¶17. Comment: De Morais presented a strong case describing the needs of his ministry that could be addressed by a U.S. Department of Treasury Resident Advisor. His special invitation for a USG team to observe the IMF consultations in January is a clear indication of the GRA's commitment to expanding our bilateral relationship in this key strategic area.

MOZENA